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WATER/MXK/EYC:jlj

AGENDA ITEM #3464

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4468
May 6, 2004**

R E S O L U T I O N

**(RES. W-4468), GREAT OAKS WATER COMPANY, (GOWC).
ORDER AUTHORIZING A TEMPORARY SURCHARGE TO
RECOVER UNDERCOLLECTIONS IN ITS PURCHASED POWER
AND PUMP TAX BALANCING-TYPE MEMORANDUM
ACCOUNTS, PRODUCING AN ANNUAL INCREASE IN REVENUE
OF \$935,337 OR 9.06%.**

SUMMARY

By Advice Letter No. 161-W, filed March 16, 2004, GOWC seeks revision of tariff Schedule No. 1, General Metered Service, to add a surcharge of \$0.083/Ccf (one Ccf is equal to one hundred cubic feet) over a 24-month period to provide an increase in total revenues of \$935,337 or 9.06%, to recover under-collections in its purchased power and pump tax balancing type memorandum accounts accrued from January 1, 2003 to December 31, 2003. This increase is a result of increased costs for water production and purchased power occurring after GOWC's then present rates became effective. This resolution authorizes the requested increase. The rate increase will not result in a rate of return greater than last authorized for GOWC.

BACKGROUND

GOWC serves approximately 20,142-metered services in south San Jose, Santa Clara County.

Ordering Paragraph No. 1 of Decision No. (D.) 03-06-072, in Rulemaking No. 01-12-009 dated June 19, 2003, requires utilities requesting recovery of existing balancing-type memorandum accounts beginning November 30, 2001, to file advice letters within 90 days. In compliance with those orders GOWC filed Advice Letter No. 161-W requesting authority under Section VI of General Order 96-A and Section 454 of the

Public Utilities Code to offset the undercollected balances as of December 31, 2003, in its purchased power of \$216,374 and groundwater charges (pump tax) of \$718,963 totaling \$935,337.

GOWC's present rate Schedule No. 1, General Metered Service, became effective on December 23, 2003, pursuant to Advice Letter 159-W as authorized by Commission D.03-12-039.

DISCUSSION

GOWC proposes a temporary surcharge of \$0.083/Ccf for a 24-month period to recover the total under-collection balance in its purchased power and pump tax balancing amounts of \$935,337, or \$467,669 annually, representing 4.53% of total revenue. The Water Division (Division) has reviewed GOWC's request along with its supporting workpapers and finds it to be reasonable. However, the incremental methodology used to determine the increase in power costs is approximated due to the complexity of the calculation. Specifically, there are a large number of tanks and wells on different tariff schedules with various seasonal, times of day, and surcharge rates. The incremental rate was calculated as the difference between the recorded and adopted average power cost.

In view of this, the Division recommends authorization of the surcharge of \$0.083/Ccf for 24 months. Since the requested increase is caused by expenses directly related to water consumption, the surcharge is applied to water use. During the amortization period, the proposed surcharge will raise the typical residential customer's monthly bill (with a 5/8 x 3/4-inch meter and using 15 Ccf/mo) by \$1.29 or 4.43%. The Division has reviewed the request with the supporting workpapers submitted by GOWC and finds it reasonable.

Service by GOWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. GOWC earned a rate of return on a recorded basis of 7.21% in 2003, which does not exceed its last authorized rate of return of 9.22%.

NOTICE AND PROTESTS

GOWC has given public notice of the request for an increase by publishing in a local newspaper of general circulation, the San Jose Mercury News newspaper, on March 15, 2004, as evidenced by a Proof of Publication provided to the Water Branch by the utility. No protests letters were received concerning the proposed offset increase.

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FINDINGS

1. GOWC filed Advice Letter No. 161-W to recover under-collections in its purchased power and pump tax balancing type memorandum accounts as required in Decision 03-06-072.
2. Water Division has reviewed the advice letter and supporting workpapers and finds them reasonable.
3. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
4. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. Great Oaks Water Company is authorized, to make effective revised Schedule No. 1, General Metered Service, attached to Advice Letter No. 161-W, and to cancel the corresponding presently effective rate schedule. The effective date of the revised rate schedule shall be five days after the date of this resolution.
2. Great Oaks Water Company is directed to keep its balancing-type memorandum accounts as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 6, 2004; the following Commissioners approved it:

WILLIAM AHERN
Executive Director